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**THE RELATIONSHIP OF HUMAN RESOURCE MANAGEMENT PRACTICES  
(HRMP) TOWARDS ORGANIZATIONAL COMMITMENT – CASE OF  
BOUSTEAD NAVAL SHIPYARD SDN BHD**



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**MASTER OF HUMAN RESOURCE MANAGEMENT  
UNIVERSITI UTARA MALAYSIA  
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BOUSTEAD NAVAL SHIPYARD SDN BHD**

**By**

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**UUM**  
**Universiti Utara Malaysia**

**Dissertation Submitted to  
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Management**



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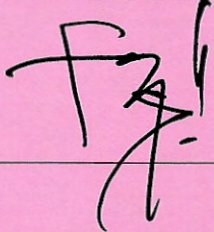
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## ABSTRACT

Organizational commitment are recognized as a part of organizational behaviour which defined as an internal individual bonding towards the organization. Close connection that they have towards the organization shows what they feel to fit in and their understanding on organizational mission and vision. Thus, this will show how committed they are towards the organization. Their high determination in work will produce high productivity besides giving their full support in achieves organizational goals. This main objective of this study is to examine the relationship of human resource management practices (compensation and benefit, performance appraisal and training and development) towards organizational commitment. This study was conducted at Boustead Naval Shipyard, Lumut, Perak as a well-known and established organization which involved a number of 217 respondents as a sample size. The data had been collected by developed questionnaire and had been analyzed by using Statistic Package for Social Science (SPSS) software version 21. Throughout this study, it is found that there are employee's turnover issue arising in this organization. The rate of turnover employee is quite high for these past few years. However, from the finding it shows that employee is still having their high commitment towards the organization. It can be shown by the statistic number of employees who are re-joining back the company after few years. This organization also has a number of employees which have a postgraduate qualification and still remain working in that company. From the statistical analysis, there is a significant relationship between human resource management practices towards employee organizational commitment.

**Keywords:** organizational commitment, human resource management practices, compensation and benefit, performance appraisal, training and development

## ABSTRAK

Komitment organisasi merupakan sebahagian daripada elemen yang terdapat di dalam gelagat organisasi yang bermaksud ikatan dalaman yang dimiliki oleh seseorang individu terhadap organisasi. Hubungan rapat oleh seseorang individu ke atas sesebuah organisasi menunjukkan bahawa mereka berasa sesuai dengan tugas yang diberikan serta memahami misi dan visi organisasi. Secara tidak langsung, ia akan menunjukkan betapa komitednya mereka terhadap organisasi. Kesungguhan penuh akan menghasilkan produktiviti kerja yang tinggi serta akan menunjukkan sokongan penuh dalam mencapai matlamat organisasi. Objektif utama dalam menjalankan kajian ini adalah untuk mengenal pasti hubungan diantara amalan pengurusan sumber manusia (ganjaran dan pampasan, penilaian prestasi serta latihan dan pembangunan) ke atas komitmen organisasi. Kajian ini telah dijalankan di Boustead Naval Shipyard, Lumut, Perak dimana ia merupakan salah sebuah organisasi yang terkenal dengan industri pembuatan maritim di Malaysia. Seramai 217 orang responden telah dipilih sebagai saiz sampel dari pelbagai tingkat pangkat dan jabatan. Data telah dikumpul menggunakan kaedah kaji selidik serta di analisis menggunakan perisian Pakej Statistik untuk Sains Sosial (SPSS) versi 21. Melalui kajian ini, ia menunjukkan bahawa isu pulih ganti telah berlaku didalam organisasi ini. Kadar pulih ganti tersebut menunjukkan bilangan yang besar sejak beberapa tahun yang lepas. Namun begitu, pekerja yang masih bekerja di organisasi tersebut masih menunjukkan tahap komitmen yang tinggi terhadap organisasi. Ini dapat dilihat berdasarkan statistik data yang menunjukkan sebilangan pekerja yang masuk semula bekerja di organisasi tersebut setelah meninggalkannya beberapa tahun yang lepas. Organisasi ini juga mempunyai sejumlah pekerja yang mempunyai kelayakan Pasca siswazah dan masih terus berkhidmat bersama organisasi itu. Berdasarkan analisis statistik, kajian mendapati bahawa terdapat hubungan yang signifikan wujud diantara amalan pengurusan sumber manusia yang diamalkan oleh organisasi terhadap komitmen organisasi pekerja.

**Kata kunci:** komitmen organisasi, amalan pengurusan sumber manusia, ganjaran dan pampasan, penilaian prestasi serta latihan dan pembangunan

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## LIST OF ABBREVIATIONS

Abbreviation	Description of Abbreviation
HRMP	Human Resource Management Practice
HRM	Human Resource Management
OC	Organizational Commitment
KPI	Key Performance Indicator



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## **CHAPTER 1**

### **INTRODUCTION**

This chapter describes a brief background of the research. It explores the problem statement, objectives of the study, research questions, and scope of the study and the significance of the study. Definition of key terms and outline of the dissertation is also provided at the end of the chapter.

#### **1.1 Background of the Study**

Employees are vulnerable assets in each organization. Employers realized that having a stable workforce which is committed on the task assign will produce a high productivity thus it will achieve their high competitive advantage. Committed employees with a high motivation have a less intention to leave the organizations.

An organizational commitment play a crucial role as it is one of the most importance aspects to under organizational behaviour. It can be classified as an individual bond attaches on their attitudes towards organization. Previous studies shows that researcher had applied many theory in order to determining key factor which influenced employee to retain and increasing their job productivity thus will build up employee spirit to become more committed towards organization.

According to Cohen (1999), organizational commitment are successfully achieve if each of an employee in the organization have a high motivation and done the task assigning to them very well. Thus, it will bring more productivity return in future. This can be seen by increasing employee job performance, lower rate of turnover intention besides reducing the rate of absenteeism among employee. From employer view, they are expecting that employees with higher organizational commitment have an excellent employee behaviour as such high degree of motivation, reduced absenteeism rate in organization besides lower the number of turnover intention (Riketta, 2002; Wasti, 2003). Mowday (1983) stating that employee with higher organizational commitment are expecting the return in term of intrinsic benefit like recognition and rewards from the management and their colleagues.

Successful development of Human Resource Management Practice (HRMP) indicates four main criteria which are provide a proper training or courses for employee to develop their skills, selected and hired the right employee based on the suitable position available; perform an excellent performance appraisal system with equitable benefits and rewards system (Edgar and Geare, 2005). Davidson and Griffin (2006) agreed that organizational strategies should be aligning with human resource management practices to achieve their effectiveness.

This study was carried at Boustead Naval Shipyard which located in Lumut, Perak. It is centered that specialized on defence and maritime needs. Previously, it is known

establish as Royal Malaysia Navy Dockyard on year 1984. It is then incorporated in year 1991 and privatized on 1995 as PSC Naval Dockyard Sdn Bhd. This organization has their strong capabilities in constructing and repairing both naval and commercial ships. Their yards are also as a fabrication centring which container cranes and heavy steel structure for the oil and gas and other industries in Malaysia. The company uphold their core values for Human Capital as the asset namely Belonging, Honour, Integrity and Commitment.

## **1.2 Problem Statement**

Organizational commitment among employees had been found strong linkage with organizational and individual variables in organization such as employee's absenteeism (Angel and Perry 1981), employee turnover (Steers 1977) and job performance (Morris and Sherman 1981).

According to Mowday (1979), there are three dimensions to explain the meaning of organizational commitment which are loyalty towards organizational goals, involvement and willingness to achieve organizational goals. In other words, organizational commitment also reflects employee loyalty involvement and effort to achieve organizational objective and goals. Furthermore, organizational commitment also had been applied as main variable to study employee turnover issues in organizational context.

Human Resource Management Practices play the crucial role for organizational mission and vision. In organizational context, human resource management practices is one of the main department which dynamic operational (David Hussey, 2003; Patrick M. Wright, 2014; R. Wayne Dean Mondy, 2015). Human Resource Management Practices also affected by turnover issues from employees withdraw behaviour (Michel Tremblay, 2010).

This study purposely to investigate the relationship of human resource management practices towards employee organizational commitment in maritime manufacturing industry. However, during interview with Pn Mahani, Assistant Managers of Human Resource Department of company Boustead Naval Shipyard for data gathering in this study, she mentions that this company also facing the turnover problem since years 2015. She also provide statistic turnover among employees in this organization. The details are explained in the table below.

**Table 1.1**  
*Statistical data on Turnover Rate*

Item	2016	2017	2018 (As At April 2018)
Total number of employee leave the company	473	119	56
Total number of employee re-join	13	8	23

Table 1.1 above show turnover rate are highest in year 2016. From the interview with HR Assistant Managers, she informs that there was the crucial time where there's no capital project secured for sustainable business volume. Such situations affect difficulties to generate income and to bring more return profit to the company. Apparently, it affected the overhead and liability thus impacts on the workforce as the company is severely constrained to serve their salary and other related terms under the company's liability. Assistant Human Resource Manager also shares her experiences where there are few cases which employee re-joins the company. They are selected based on their selected discipline, experience and abilities.

From the interview, she also indicates that previously the total number of employee who working there are around 958 people. However, during the crucial time which on critical economic situation the number of employee had been downsized to almost 400 employee had lost their job. This is due to the Mutual Separation Scheme (MSS) and Voluntary Separation Scheme (VSS) that company offered to the employee. As for now, the total number of employees who are working there is around 670 people.

MSS programs are only impacted for the employee who is working under permanent position. The company applied these programs under two batches which, the first batch is on 2016 March with around 50 employees impacted followed by July batches with around 196 employees impacted. From this situation we can see that the total numbers of employee that are impacted under MSS programs are around 246 employees.



Whilst, that, under VSS programs, most of the listed employees involves are the senior staff. This is due to the company's strategies that the VSS exercise is offered for existing billet may no longer be required when such company business is worsened by the economic continuous crisis. Likewise the listed senior staff billet may no longer applicable for the company to survive further. Rejecting the offer may result with no compensation benefit.

For the employees who are listed under these MSS programs, they will be given such a notice within three months. Their job performance had been monitored within last six months. Each of the Head of Department will submit their performance reports details and bring their names to Human Resource (HR) Department. HR department will then finalize and listed the name of employees who are impacted. This involved for all level of employees starting from the top management till newly joint blue collar level.

As for the remaining staffs who are still working, there will be a few units which combine their job scope area. They cross function their job scope area which are in example previously they have three staff under one unit; however as for now there will be only one staff in charge under that department. This will not give any impact to their salary. They will not receive any increment or such incentive offered in regards to their salary paid.

After MSS and VSS programs done the company are still hiring for the new workers on project requirements basis that based on their skills and education level. However, for this intake all of the new joiner's term is under contract staff. The company will have a chance to hire as a permanent staff however it is all are based on their job performance. Minimum requirement to be a permanent staff is that they work for more than two years. The newly hired employee is placed under project team. They enjoy all the benefits given by the employer. The benefit offered to them is same as what being offered for all permanent staff.

Eventually, after MSS and VSS programs completed, for the staff that are not performing to standard will be identified. Their evaluation will be measured by the agreed Key Performance Indicator (KPI) target in line with the Annual Performance appraisal. Any performance below target will be addressed by Head of Department and their name will be under Performance Improvement Plan (PIP). It is then passed to HR Department to monitor. The PIP programs are around six months. Employees will be evaluated twice within the six months course period. However, most of the employee will improve their commitment and initiatives to elevate their performance criteria during the course.

### **1.3 Research Questions**

This study wants to answer the following research questions:

1. What is the level of employee status of human resource management practices among respondent in Boustead Naval Shipyard?
2. What is the level of employee status of organizational commitment among respondent in Boustead Naval Shipyard?
3. What is the relationship of Human Resource Management Practices and Organizational Commitment among respondent in Boustead Naval Shipyard?

### **1.4 Research Objectives**

The main objective of this study is to identify several human resource management practices that are highlight on compensation and benefits, performance appraisal and also training and development. More specifically, the objective of this study is:

1. To access the level of Human Resource Management Practices.
2. To access the level of Organizational Commitment.
3. To determine the relationship between Human Resources Management Practices and Organizational Commitment.

## **1.5 Scope and Limitations of the Study**

This study will explain more about the relationship between independent variable (compensation and benefit, performance appraisal and training and development) and dependent variable (organizational commitment) at Boustead Naval Shipyard.

This research aim to know opinion of various human resource management practices which are needed to successfully perform in the maritime manufacturing sector in Malaysia. From the study, we want to investigate the relationship of human resource practices applied in the organization which makes an employee becomes more committed to the organizations. Next, this study want to investigate whether maintaining the benefit entitlement of an employee will give impacts to employee loyalty towards the organization. Last but not least, this study intends to further the previous research in human resource management practices by using the universal approach.

## **1.6 Definition of Key Terms**

The key term which are used in this study as the variables (human resource management practices, compensation and benefit, performance appraisal and training and development, organizational commitment) are stated as below:

### ***Organizational Commitment***

Organizational commitment can be defined as employee loyalty towards the organization which shows their willingness by give out full effort on behalf of the organization, connected with the acceptance of the organizational goals and values besides desirable in maintaining their membership.

### ***Human Resource Management (HRM) Practices***

Human resource management practices are systematic business approached which applied a critical and strategic, advancement and employee welfare in an organization (Armstrong, 2012). According to Huang (2000), HRM practices are one area that influences employees' to have an intention to leave the company, shows their levels of job satisfaction, and also organizational commitment. Human resource departments typically conduct activities which are designed to train and develop the organization's personnel, whether to deal with performance problems or help prepare an employee for a management role. In addition to formal training courses (such as instructor-led sessions, web-based training and seminars), organizations should be mindful to offer flexible alternatives such as coaching, mentoring and job-rotation experiences. Developing employee aptitude involves managing programs such as employee orientation sessions, policy and procedure awareness sessions, leadership development workshops and other options designed to enable the organization to succeed together with its employees.

### *Compensation and Benefit*

Compensation and Benefits can affect on the motivation, loyalty and satisfaction of managers and employees itself. Compensation and benefits department is usually responsible for the transparency in the compensation practices in the organization and keeping the internal fairness of the total cash. This department is responsible for the personnel expenses budget of the organization. They will sets the standards for the individual salary increase, the mass salary review and the rules for the bonus pay out as the organization keeps the financial stability and the planned personnel expenses budget.

They also have special processes to monitor the external job market as it can set the right compensation policy, which is compliant with the approved compensation strategy. In addition, they are responsible for the extensive monitoring of the market and designing the new compensation components inspired by the HR Best Practices in the compensation area. Therefore, they will always closely attach to the development of the new compensation components, which support the performance and efficiently of the organization. It co-operates with the different business units and it aligns their requests into the general rules for the compensation components, which are transparent and fair.

Even though some of the organizations have a practice on pay for performance as employee recognition, however, non-monetary recognition is also important (Parketal., 1997). This is because praises from the managers and colleagues will increase employee



motivations besides make an employee have a high intention to working longer with the organization. Davies (2001) stated that employee will give their full commitment and have an intention to stay with the organization when they feel their efforts and capabilities are recognized and appreciated by employer.

### ***Performance Appraisal***

Performance appraisal defined as employee job evaluation besides to see and understand the capabilities having by employees for their career growth development. For the evaluation on data collection, there are three method applied to gathered some information which are by having an annual performance appraisal (once a year or can be seen as long-cycle appraisal), quarter performance appraisal (every six month or shorter cycle) and also some is done by weekly evaluation. The interview will provide a feedback to employees that covered on benefit and rewards offered to employees, employees job status or about disciplinary action.

Performance appraisal is a part of performance management system. Employee performance have to well-managed and align with organizational goals and mission to achieve the highest performance for both parties. According to (Manoharan et al., 2009; Prowse and Prowse, 2009) employee performance need to have an organized procedure in term of behavioural or physiological so then employee may have an improvement and find its ways on their individual strength and weaknesses. Whitting et al. (2008) stating

that each of the organizations has their own performance appraisal system which cannot be generalized and adopted from one organization to another with easily. The systems are developed to match its employees and organizations values.

### ***Training and Development***

Rosemary Harrison (2005) stated that training and development encompasses three main activities which are training, education, and development. Garavan, Costine, and Heraty (1995), of the Irish Institute of Training and Development, note that these ideas are often considered to be synonymous. However, to practitioners, they encompass three separate, although interrelated, activities such as:

1. **Training:** This activity is both focused upon, and evaluated against, the job that an individual currently holds.
2. **Education:** This activity focuses upon the jobs that an individual may potentially hold in the future, and is evaluated against those jobs.
3. **Development:** This activity focuses upon the activities that the organization employing the individual, or that the individual is part of, may partake in the future, and is almost impossible to evaluate.

One of the best human resource management practices in an organization can be seen from a well-organized training and development provided for their employees. From organization perspective, they see the enhancement and progress shows by employee

and organization itself as a positive and different type of human capital investment (Goldstein, 1991; Wetland 2003). This agreed by Wiens-Tuers (2001) an organization which administered their employee more benefits and rewards have an ingenious work system are seems spend more on their employees. Organizations that are able to accomplish employee career advancement are marked as high employee organizational commitment. This can be seen when employee training and development achieve their needs and organization itself can reach their goals, more employee have an intention to stay loyal towards the organization (Sheridan, 1992; Bassi and Van Buren, 1999; Wood, 1999).

### **1.7 Organization of the Thesis**

This research paper comprises five chapters and it is explain in details for each chapter to get a better understanding about the relationship of human resource management practices towards employee organizational commitment.

*Chapter I:* This chapter briefly explain about this research as a body of study which presented background of the study as an opening, describe the problem statement facing by the organization, determining the research questions and research objectives, identifying the scope and limitation of the study besides find out definition of key term used in this study.

**Chapter 2:** This chapter are more focused on the literature review as their supporting judgment which been done by the previous researcher. It will gather all the information by summarizing in an organized way which covered the area of study under independent variable (compensation and benefit, performance appraisal, and training and development) and dependent variable (organizational commitment). This will shows the differences on theories applied and the points of view by the previous researcher besides contradicted the gap on present philosophy.

**Chapter 3:** This chapter discuss on the methodology used in this study. It is including framework designed to conducting this study, develop testable hypotheses, identifying the method used in analyzing and collecting the data, instrument used to measure the variable, research design, operational definition, measurement of variables or instrumentation, data collection which covered on sampling, data collection procedures, and also technique of data analysis.

**Chapter 4:** This chapter presents the results on data finding from the survey conducted. It will clarify the entire variable used in this study by generating the statistical report which covered on frequency analysis on demographic of the respondent and also reliability analysis results on the variable measured. Furthermore, in this chapter it will discuss about the hypothesis developed by presenting the data in correlation and multiple regression analysis. Summary on the hypothesis developed will be discussed at the end of the chapter.

**Chapter 5:** This chapter is an outcome of the study. It summarize on the finding of the study, conclusion and suggestion for future research.



## **CHAPTER2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter present a review of previous studies and theory which applied in this research. The relationship between human resource management practices toward organizational commitment are discussed in a wider perspective and gives a clear understanding in defined its goals.

#### **2.2 Organizational Commitment**

Organizational commitment can be defined as individual psychological bonding towards the organization which involved strong loyalty and highest belief besides willingness of give out full efforts with higher commitment. According to Arnold (2005), organizational commitment shows a strong recognition of an individual's towards attachment with an organization. Marrow (1993) defined organizational commitment represent employee attitude and behaviour. Employees are willing to sustain their participation due to their passion which is associated with organizational goals (Miller, 2003).



Organizational commitment can be seen as individual behaviour which is related to the process of employee committed onto and how they managed to solve the problem arises. (Mowday, Porter and Steers, 1982). It is then can be solved from the view of normative and calculative commitment. The attitude shows by an employee reflect their feelings on loyalty, belief and involvement towards commitments (Morrow, 1993). Meyer and Allen (1991) define organizational commitment as a psychological attachment which builds up a strong relationship between employee and the organizations itself and their significance of participation in the organization. They defined first dimension as effective commitment which are positive attachment and involvement to the organization. Employee will show up their positive work attitudes, better job performance and their loyalty to stay with the organization. Second dimension named as continuance commitment which employee will put their best effort and give a high commitment when the benefits and rewards offered to them are meet their expectations. Last dimension is under normative commitment where understanding of an employee when they are staying with the organizations. These dimensions are more referring to individuals who have the values of formality, obedience and also cautiousness.

There are multiple tools which can be used in order to manage and assessing employee commitment level. For employers which are having an interest in measuring employee's belief on the organizational goals, involvement to give a full commitment to organizations and have an intention to stay with the organization, they will find that Organizational Commitment Questionnaire (OCQ) developed by Mowday, Steers and

Porter's (1979) are useful. However, for employers who want to measure employees' level in term of effective, continuance and normative, the Three-Component Organizational Commitment Scale designed by Allen and Myers' (1990) can be used as a measurement tools.

### **2.3 Human Resource Management Practices**

Previous studies shows that human resource management practices have a broadly definition. A group of employee who are working together to achieve organizational goals regardless of their number of people in an organization (Aminudddin, 1997). The values of the organization will be increases and more marketplace on their investment when the policies of the organizations itself are applied as they seen employees are human capital assets. Employees which have the higher values same as the organizations physical and capital assets is mark as recognition of organizational effectiveness.

This agreed by Mello (2002) stating that continuous competitive advantage comes from employee as a beneficial source of the organizations. Competitive advantage of the organizations can be successfully achieve if there are continuously maintaining the values of human resource, no gaps between competitors itself besides found that it is resemble and coordinate the efficiency (Bohlander and Snell, 2004).

As we can see nowadays human resource management practices can achieve their competitive advantage by hiring a capable and experience labour force. This will show the compatible network of human resource management and policies are more accessible which can be achieve and meet their needs (Glinow, 2010). Human resource management practices are more valuable if they can hiring the right employees which are suitable with their capabilities, provide a proper training to employees, high payable of compensation for excellent employee performance, reduce employee gaps in term of positions level, able to have an open decision making in a team and sharing information towards all level of employees (Jeffrey Pfeffer, 1998). Thus, the variation of organizational performance shows the employees higher level of commitments and higher rate of employee intention to stay with their organization.

According to Decenzo and Robbins (2005), human resource management practices have four key function which are have a good planning in achieving organization goals and objective, organizing and developing organizational structure by having a job enrichment and teamwork in order to increase job satisfaction besides lower the turnover rate and absenteeism, ensure the right and capable people can lead on the right job and have a higher motivation, and last but not least control by monitoring activities involvement by an employee to meet their goals. This strategic approach are successfully achieve when the organization and employee itself working together to meet the right objective of organization.

Inevitably, the human resource management must align the company's policy related to conduct and deployment of people to closely relate to the management policies. Human capital would produce best of their ability when attending to an assigned job with a free mind, which are involve the management in organization in term of recruiting and selecting the right employees, offering the competitive compensation and benefit, safe working environment and provide a training to develop employee skills. Generally, human resource management practice are supposed to be the forefront approach and perpetually drawn in order to achieve and retain the organization goals.

### **2.3.1 Compensation and Benefit**

Employee in the organizations is not only works as they love their jobs. Most of them would expect for the better incentives as a reward for their contribution after hard work. Remuneration packages offered by an employer are including salaries, bonus and other incentives schemes (examples commission, profit sharing, life assurance, medical plans and another rewards scheme). The same least medical benefit would be recognized as value added could the scheme made extended for their spouse and children. These structured remuneration scale, privilege, entitlement and incentives benefit are the criteria that will attract the employee's loyalty and integrity to devote their creativity, contractual hours to stay at work and belonging to commit engagements regardless of forfeited after hours tasking. The esteemed organization will be the employees and family liking when their contribution to the company is duly appreciated.

Employer believe that by offering a good compensation and benefits packages to their employee will motivate and influence them to have a better performance thus will have increase their productivity. Besides that, the pay system is also related to employee performance appraisal. Employee with a good rating in their performance appraisal has a greater reward in term of increment of salary and promotion. Sharkawi (2001) stated that rewards offered to employees are an individual process which motivates them to get them on payment with make some effort in achieving their goals.

Compensation is importance as it wills effects on individual self-esteem and people lifestyle (Cascio, 2003). There will be a benefit for both side as individual are particular on their paid amount which are fair and competitive wages while the organization itself see compensation as a motivation to employee so then it will increase their job performance besides not leaving the company.

#### **2.3.1.1 Relationship between Compensation and Benefit and Organizational Commitment**

Malaysian Act 1955 shows that employers are compulsory to provide some kinds of benefit to their employees as this will affects to employees job productivity and their individual self-motivation. Previous research shows that there are positive impact between compensation and benefit offered by employer towards employee organizational commitment (Hong, et al., 1995; Christoph, 1996). Compensation also

seen as important tools to achieve organizational success. The remuneration offered to employees reflects their individual capabilities. Liza (2014) stating that the salary structure which design as a compensation strategy will motivates employee to commit themselves in the organization. This agreed by Rizal et al. (2014) compensation are influenced by the organizational commitment however its is not give any impact towards employee performance.

### **2.3.2 Performance Appraisal**

Performance appraisal data are used in human resource planning, recruitment and selection, training and development, employee career planning, compensation and benefit organization programs and also internal employee relation. Individual which performing their task on a timeline given which meets their goals have a higher rating of performance appraisal (Alo, 1999). Performance are measured valid if the data are accurate, standardized and timely which align with the compensation policies system (Burack, Elmer and Smith, 1977).

McGregor (1957) stating that the objective of performance appraisal can be achieve when the organization have a systematic process on their increment of salary, directly informing the subordinate their work performance and changes of attitude, behaviours and skill, and also as a reference person of employee by their superior.

### **2.3.2.1 Relationship between Performance Appraisal and Organizational Commitment**

According to Chang (2005), a strong belief of employee towards human resource management practice gives a higher impact towards organizational commitment. Fair practice in human resource management will results to employee positive attitudes (Jehad et al., 2011). Munir Salleh (2013) stating that fairness in performance appraisal shows by employee with high commitment will bring positive impact towards organization goals. Goal setting are used as an improvement tools to minimize the gap of work group between employees in monitoring their job performance (Moulder, 2001). Shahnawaz and Juyal (2006) explain that employee development on performance appraisal will boost up employee commitment and their trust.

### **2.3.3 Training and Development**

Providing an employee with a proper training and development will build up their skills and capabilities besides increasing their job performance. On-going training will knock off employee opportunities for gained an employee growth. Besides that, develop individual talent are most practical way in human resource practice. This is because the skills which are developing from the lower positions are less cost compared to the higher position. It is also tends to make an employee engagement besides having a loyal workforce. This is because training is the benchmark of improvement in job

performance. The training itself will increase employee productivity and improve employee efficiency in refreshing their goals and ambition.

The need of training and development can be successfully achieve in align with strategic human resource management practices by designing recognition and rewards programs, providing an assessment to employee in order to identify their strength and personal individual development, improving performance management system which are applied by the organization, and improving employee job productivity.

#### **2.3.3.1 Relationship between Training and Development and Organizational Commitment**

One of the most important aspects in organization investment can be seen from providing a proper training to employees besides giving a career support for employee motivation. This will make an employee have an intention to stay longer and build their trust and loyalty towards the organization (Klein, 2001). Referring to report by Mc Elroy (2001), training makes an employee know their self-worth value thus will have a strong employee organizational commitment.

Training is recognized as a broad behaviour which it gives beneficiary to both side employee and employer itself (Aguinis & Kraiger, 2009). Sparrow (1998) describes training as a tool used by an organization to develop employee's skills and knowledge to perform excellent duties in meeting organizational requirement and demands. Cox (1984)



stating that the development of employee is build up from the training organized thus increase employee commitment toward organization.

#### **2.4 The Relationship of Human Resource Management Practices towards Organizational Commitment**

Human resource management practice are successfully achieve with higher employee organization commitment Maintaining higher values of organizational commitment will attract qualified personnel from others organization to join working together with them (Meyer and Smith, 2000). According to Paul and Anantharaman (2004) the opportunities given by the organization makes an employee feels their responsibility to give full commitment towards the organizations.

The higher values of employee organizational commitment can be increase by providing employee a continuous training, offered a suitable compensation packages and also give a promotion for employee who perform well. Robert J. Vans (2006) stating that interesting features of employee career development will lead to high employee organizational commitment. Positive job satisfaction and higher employee commitment will reflect to employee behavioural action such as lower rate of absenteeism and turnover rate.

## 2.5 Summary

From the literature review, it can be concluded that compensation and benefits, performance appraisal and training and development are the list of human resource management practices which give an impact towards employee organization commitment. The entire dimension which are studied act as an extension of study for which have been done before and therefore this research may be useful for the manufacturing industry as their references.



## **CHAPTER3**

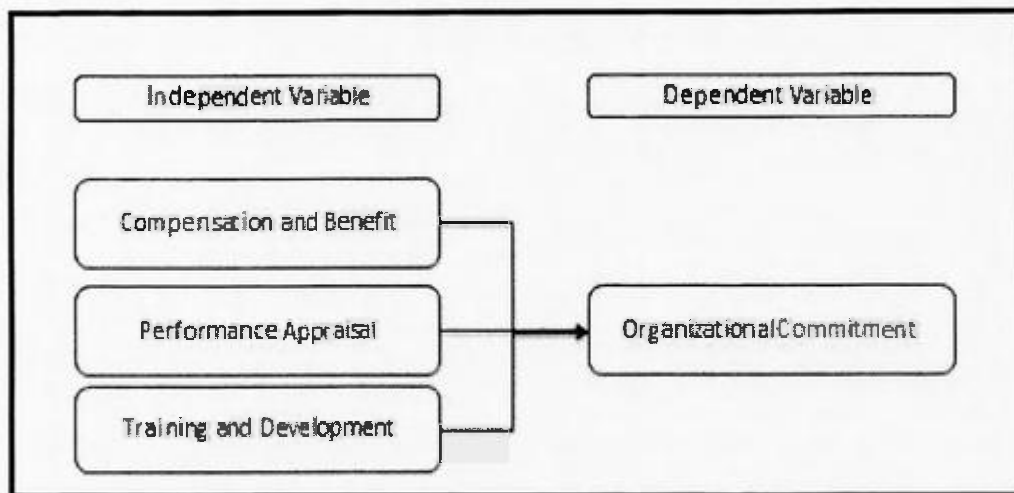
### **METHODOLOGY**

#### **3.1 Introduction**

This chapter explains methodology that had been used to collect the data. It contains research framework, hypothesis development, research design, operational definition, instrument used, data collection and technique of data analysis.

#### **3.2 Research Framework**

The main objective of this research is to identify the relationship of human resource management practices which are more specifically highlight on training and development, performance appraisal and also compensation and benefit offered to their staff in an organization. From the literature review, it can be summarize that the stated human resource management practices give a large impact towards employee organizational commitment. The framework of this research display as below.



**Figure 3.1** *Research Framework*

### 3.3 Hypothesis Development

The aim of this research is to understand the relationship of human resource management practices which applied in the organization towards employee organizational commitment. Based on the previous studies revealed that human resource management practices had significant relationship and organizational commitment (Marchington and Wilkinson (2005), Mathis and Jackson (2003) and Dessler (2007)).

However, a few study found that there are contra finding (Huang et al. (2017), Menguc et al., (2013)). In other words, the finding is not consistency.

Thus, this study hypothesis had been tested. The following hypothesis had been tested:

H1: There is significant relationship between human resources management practices and organizational commitment.

### 3.4 Research Design

Research design is the plan for collecting and utilizing all of the data gathered so that the desired information can be obtained. In this study, as it involves a large number of respondents to gather some information, quantitative data approach have been used. The data have been collected by distributes the questionnaire among the employees. To achieve the objective of this study, cross sectional method was applied in this case.

### 3.5 Operational Definition

**Table 3.1**

*Operational definition for each variable*

Variable	Operational Definition
<b>Organizational Commitment</b>	A strong individual attachment in a particular organization (Mowday et al., 1979). Becker (1960) stated that commitment as an individual engagement in a constant stage of activity.
<b>Compensation and Benefit</b>	Employee remuneration which can be classified into two categories which are fixed pay examples wages and salary while the non-incentive pays example the insurance provided by the company.
<b>Performance Appraisal</b>	Expectation of an individual and organizational in achieve their own goals. Thus it will make the rating of performance turn higher and give beneficial return for both sides.
<b>Training and Development</b>	Process in develop individual skills and knowledge on task assign. It is design in order to remove the gaps between competence employee and also new joiners. Thus it will build up and improving individual internal behaviour.

### 3.6 Measurement of Variables / Instrumentation

#### 3.6.1 Instrument

This study applied quantitative method for data collection which the questionnaire had distributed to the respondent. There are two variables involves in this study which is independent variable (compensation and benefit, performance appraisal, training and development) and dependent variables (organizational commitment).

**Table 3.2**  
*Sources and number of items in the questionnaire*

Variable	Number of Items	Sources
<b>Section A</b> Background of Respondent	5	General
<b>Section B</b> Human Resources Management Practices	15	Delery and Doty (1996), Tsui et al. (1997) and Bigliardi et al. (2005)
<b>Section C</b> Organizational Commitment	15	Mowday and Steers (1979)

The questionnaire was used for the collection of data on the study as a research instruments as below:

**Section A.** This section represent background of respondent such as gender, age, length of service in organization, education level of respondent, and also position level in organization.

**Section B.** The second section of the instrument contains items that measure human resource management practices which applied in the organization. The human resource management practices is viewed as being composed of different constituent part with which an individual may be either satisfied or dissatisfied. In this study, the independent variables of human resource management practices are training and development, performance appraisal and also compensation and benefit. This section is measured with 5 points: 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree. All the 15 items were adapted from the survey by NazriFairuz (2012) from the source of Delery and Doty (1996), Tsui et al. (1997) and Bigliardi et al. (2005).

**Section C.** This section contains 15 items that measure organizational commitment as a dependent variable. It is measured by using Likert scale of 5 points: 1=strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree. The items were adapted from Employee's Organizational Commitment Survey of Mowday and Steers (1979).

### 3.6.2 Scale of Measurement

In this study five likert scale had been apply in instrument development. The term for five likert scale are explaining in the Table 3.3 below:

**Table 3.3**

*Five points Likert Scale for Dependent and Independent Variable*

Scale				
Strongly disagreed (Sangat tidak bersetuju)	Disagreed (Tidak bersetuju)	Neutral (Tidak pasti)	Agreed (Bersetuju)	Strongly Agreed (Sangat Bersetuju)
1	2	3	4	5

Thus, all items in independent variable (human resources management practices) are mention in the Table 3.4 below and the dependent variable (organizational commitment) as stated in Table 3.5 below were measured by likert scale.



**Table 3.4***List of Items for Human Resource Management Practices Dimensions*

<b>Dimensions</b>	<b>Number of Items</b>
Compensation and Benefit	<ol style="list-style-type: none"> <li>1. I am satisfied with compensation offered by this company.</li> <li>2. The amount of income that I receive reflects on what I deserve.</li> <li>3. I am satisfied with the process used to determine my non-financial rewards (awards and benefits).</li> <li>4. Rewards (bonuses, awards and benefits) that I receive depend on my Annual Performance Appraisal.</li> <li>5. The salary increment that I obtain depends on my Annual Performance Appraisal.</li> </ol>
Performance Appraisal	<ol style="list-style-type: none"> <li>1. My performance is evaluated based on my work output.</li> <li>2. My Annual Performance Appraisal is based on the agreement between me and my superior.</li> <li>3. The degree of my performance evaluation is based on my Annual Performance Appraisal Report.</li> <li>4. Besides the achievement of Annual Performance Target, my performance is also being evaluated based on my commitment and involvement to the company.</li> <li>5. My work performance is determined based on the set Annual Performance Target.</li> </ol>
Training and Development	<ol style="list-style-type: none"> <li>1. The training provided by the company helps me to enhance my work performance.</li> <li>2. Career counselling and planning assistance are provided to all staffs.</li> <li>3. Training programs offered by the company help me to develop varieties of skills and ability.</li> <li>4. Opportunities for advancement are available to all staffs.</li> <li>5. Extensive training and development programs are offered by the company to improve my job skills.</li> </ol>

Source: Delery and Doty (1996), Tsui et al. (1997) and Bigliardi et al. (2005)

**Table 3.5*****List of Items for Organizational Commitment Dimensions***

<b>Dimensions</b>	<b>Number of Items</b>
<b>Organizational Commitment</b>	<ol style="list-style-type: none"><li>1. I am willing to put in a great deal of effort beyond that normally expected in order to help this company be successful.</li><li>2. I talk up this company to my friends as a great organization to work for.</li><li>3. I feel very little loyalty to this company. ®</li><li>4. I would accept almost any type of job assignment in order to keep working for this company.</li><li>5. I find that my values and the company's values are very similar.</li><li>6. I am proud to tell others that I am part of this company.</li><li>7. I could just as well be working for a different organization as long as the type of work was similar. ®</li><li>8. This company really inspires the very best in me in the way of job performance.</li><li>9. It would take very little change in my present circumstances to cause me to leave this company.</li><li>10. I am extremely glad that I chose this company to work for over others I was considering at the time I joined.</li><li>11. There's not too much to be gained by sticking with this company indefinitely. ®</li><li>12. Often, I find it difficult to agree with this company's policies on important matters relating to its employees. ®</li><li>13. I really care about the fate of this company.</li><li>14. For me this is the best of all possible organizations for which to work.</li><li>15. Deciding to work for this company was a definite mistake on my part. ®</li></ol>

® = Negatively worded items

Source: Mowday and Steers (1979)

### **3.7 Data Collection**

#### **3.7.1 Population**

The population of this study is done in Boustead Naval Shipyard. The reason for this organization been chosen is because there was high number of turnover in this company. Another consideration is their past track records, a well-known and establishes company (one stop centre in handling full range of repair or routine servicing for military asset and classes of vessels) in leading the national maritime industries specifically for Maintenance, Repair and Overhaul (MRO). Despite all challenges in facing the multilevel of economic down turn issues like unstable market demand, currency fluctuation and competent labour work force demand, the company are still sustaining to pursue for in-country and internationally business competition. The organization is manned by numbers of professional engineers and certified proficient ex-military and commercial practitioner that well experienced (generally more than 15 years on the same field) to manage and to run their business successfully even though they are facing a tight global financial crisis. The number of population in this strategic organization is around 500 staff.

#### **3.7.2 Sampling**

According to Zikmund, (2003), the process of sampling involved any procedure by using a small numbers of items or parts of the whole population to make conclusion

regarding the whole population. In this research study, the sampling unit was collected by using non-probability sampling to conduct the survey. Non-probability sampling is sampling technique in which units of the sample are selected on the basis of personal judgment or convenience; the probability of any particular member of the population being chosen is unknown.

On selecting the sampling unit, the convenience sampling which is one of the non-probability sampling is used to conduct the survey. The convenience sampling refers to sampling by obtaining people or units that are conveniently available. The research is using this sampling which can reduce the consuming of time and cost.

### **3.7.3 Data Collection Procedures**

Researcher distributed questionnaires through hard copy to the respondents including non-executive, executive and management staff of all departments 217 sets of questionnaire among the employees. were prepared to be distributed randomly. The questionnaires were distributed to the respondents by second week of February within a week time.

### **3.7.4 Pilot Test**

Pilot test is a pre-test which are conducted before the real questionnaire had been developed. Pilot test will detect the weakness and error of the questionnaire before it is

submitted to the real respondents. The respondents in the pilot test must different from the real respondents.

The pilot test for this study has been carried out in early January 2018. Pilot test questionnaire are taken in a small number of group to test the variable validity.

Table 3.6 shows the result of the reliability analysis conducted for the pilot test.

**Table 3.6**

*Reliability Analysis for the Variables Involved in the Study*

Variable	Number of item tested	Cronbach's Alpha Value
<b>Dependent Variable:</b>		
Organizational Commitment	15	0.704
<b>Independent Variable:</b>		
Compensation and Benefit	5	0.792
Performance Appraisal	5	0.802
Training and Development	5	0.867

### 3.8 Inferential Analysis

In order to determining data analysis, there are two method used, There are Pearson correlation coefficient, one way analysis variance test (ANOVA) and also multiple regression.

### **3.8.1 Pearson Correlation**

This method is to determine the strength and its relationship between dependent and independent variable. The correlation relationship could be either positive or negative relationship. The correlation coefficient is to measure a linear correlation between two variables.

### **3.8.2 Regression Analysis**

Regression analysis is the measurement on dependent variable which is influenced by independent variable. Most of the researcher will use this method as it can determine the effect and cause of dependent and independent variable.

Few tests will be taken as it is to determine the relationship between independent and dependent variable. F test statistic are used in this study and it need to remove if the results are not significant. It is then is follow by individual statistic test which are using R2 model. The significant level of this study is set to 0.05. This means that the Pearson Correlation values are influence with the strength of variable. While the beta values are express in the significant relationship between dependent and independent variable.

### **3.9 Summary**

This chapter has described the development of the research model for this study. The research methodology and the research design have been explained following the research framework and research objectives. Different statistical tests, such as data screening, factor analysis and correlations analysis will be used to examine the relationship between Independent variables and Dependent variable.



## **CHAPTER4**

### **RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter would be much focuses on the results that be found through the statistical data analysis. The main purpose of this study is to identify the relationship between independent variable which are compensation benefit, performance appraisal and also training and development besides the dependent variables which is organizational commitment. The objective of this study is to achieve the research questions which have been emphasized in chapter one as well as to validate the hypotheses that be developed in chapter 1. Using the suitable programs from the SPSS software, each of the hypotheses would be tested by using the relevant statistical tests. In this chapter, it will illustrate the reliability test made by certain instruments which is Cronbach's Alpha. The overall chapter would comprises which include overview of the data collection, demographic data, goodness of measures, descriptive analysis, major findings, summary of the findings and also conclusions.

#### **4.2 Descriptive Analysis**

Descriptive analysis is including the mean, standard deviation, minimum and maximum values for the independent and dependent variables which are attained. In this section, descriptive statistics will be used to measures the demographic data. Descriptive statistics



are usually be used by the researchers to summarize and describe the data founding during the research. It provide in a way for the researchers to summarize the main properties group of data into a few numbers. This technique would be appropriate to be used for making an analysis of the demographic factors. Hence, frequency analysis used to examine the demographic data of the respondents such as gender, age, length of service, level of education, and position in organizations.

#### 4.2.1 Respond rate

The data of survey questions have been collected through the employee company email, and also interview session with HR managers and also selected randomly employee. A total of 217 survey questions have been distributed to the respondents in the organization. All of the 217 sets of questionnaire have been collected back. Table 4.1 below show the number of questionnaire that has been satisfactorily completed distributed to the company that has been mentioned in the previous chapter.

**Table 4.1**  
*Frequency of questionnaire distributed*

Items	Total set of questionnaire
Number of questionnaire distributed	217
Number of questionnaire collected back	217
Number of questionnaire used for the analysis	217

#### 4.2.2 Gender

Table 4.2 show the gender of the respondents. Out of 217 respondents, the majority respondents are male which presents about 72.8% while there are only 27.2% of them are female participated in this survey which equivalent to 59 respondents.

**Table 4.2**  
*Gender of the respondents*

Gender	Total Number of Frequency	Percentage (%)
Male	158	72.8
Female	59	27.2
Total	217	100.0

#### 4.2.3 Age

According to the Table 4.3 below, its show the age of the respondents. Majority of the respondents are at the middle age where their age between 31 to 40 years old. It is contribute about 42.9% or 93 respondents. It is then followed by group of respondent where their age 41 to 50 years old with 19.8% or 43 respondents. Next is 21-30 years old group of respondent which give result 16.1% or 35 respondent. After that is group of senior staffs which are at the group age of 51 to 60 years old that represent 13.4% or 21 respondents. Last but not least only 17 respondents with 7.8% percentage are in the youngest group of age below 20 years old.

**Table 4.3***Group Age of the respondents*

Age	Total Number of Frequency	Percentage (%)
Below 20 years old	17	7.8
21 to 30 years old	35	16.1
31 to 40 years old	93	42.9
41 to 50 years old	43	19.8
51 to 60 years old	29	13.4
Total	217	100.0

**4.2.4 Length of service**

The Table 4.4 shows that majority of the respondent that involve in this survey question mostly have been work with this organization around 6 to 10 years with 77 respondent or 35.5%. Next, the respondents have been work for 11 to 15 years with 49 respondents or 22.6%. The number of the respondent who worked just around 2 to 5 years represents 42 respondents with 19.4%. The midst group of employee who working there around 16 to 20 years old is around 26 respondents or 12%. The smallest group of employee who still working there is under senior groups which working more than 21 years and above are 5 respondents or 2.3% only.

**Table 4.4***Length of service of the respondents*

Length of service	Total Number of Frequency	Percentage (%)
Less than 1 year	18	8.3
2 to 5 years	42	19.4
6 to 10 years	77	35.5
11 to 15 years	49	22.6
16 to 20 years	26	12.0
21 years and above	5	2.3
Total	217	100.0

#### 4.2.5 Level of educations

The result in Table 4.5 illustrates that 45.2% of the respondents are have qualification in bachelor of degree (98 respondents), while 24.4% of the respondents as a diploma holder (53 respondents). Respondent which have a post graduate qualification under master degree consists of 10.1% or 22 respondents. Besides, there are 21 number of respondent who have a Malaysia Skill Certificate (SKM Certificate) or 9.7%. Respondent who have a qualification under Sijil Tinggi Persekolahan Malaysia (STPM) and Sijil Pelajaran Malaysia (SPM) each of them represent 4.6% or 10 respondent under SPM certificate and 3.7% or 8 respondents under STPM certificate. The smaller amount of respondents can be seen with 5 people who having the highest qualification of education which is Doctorate of Philosophy or PHD that carry 2.3% or 5 respondents.

**Table 4.5**  
*Level of education of the respondents*

Education level	Total Number of Frequency	Percentage (%)
Doctorate of Philosophy (PHD)	5	2.3
Masters	22	10.1
Bachelor of Degree	98	45.2
Diploma	53	24.4
Malaysian Skill Certification	21	9.7
Sijil Tinggi Persekolahan Malaysia (STPM)	8	3.7
Sijil Pelajaran Malaysia (SPM)	10	4.6
Total	217	100.0

#### 4.2.6 Position in Organization

From Table 4.6, most of the respondents are comes from Senior Executive level. It is in a larger quantity with 83 respondents or 38.2%. The number of Managers and Junior Executives who involved in this survey represent 34 number of respondent or 15.7% each. While the Fresh Entry Level staff that work at various department is about 24 respondents or 11.1%. Last but not least the Non- Executives Level and Senior Managers position and above have the same number of respondent which contribute 21 number of people or 9.7%.

**Table 4.6**

*Position of the respondents in Organization*

<b>Position in Organization</b>	<b>Total Number of Frequency</b>	<b>Percentage(%)</b>
Senior Manager and above	21	9.7
Manager	34	15.7
Senior Executive	83	38.2
Junior Executive	34	15.7
Fresh Entry Level	24	11.1
Non-Executive	21	9.7
<b>Total</b>	<b>217</b>	<b>100.0</b>

### 4.3 Reliability Analysis

Reliability test is related to the test, survey, observation or other measuring device. It is to determine the stability and consistency of the instrument. Reliability analysis which have been perform in this research is to test whether the entire item that be used in order to measure the variables are dependable which can be used to reach the objectives of study. According to Sekaran (2003, p.206), reliability of the instruments is achieved if the respondents attach same overall meaning to each of the item while measuring the same concept and the item should be “hang together as a set”. The most used reliability coefficient that be used is Cronbach’s coefficient alpha. It is to determine the whole instruments and be applied to each of the dimension to ensure inter-item consistency reliability (Sekaran, 2003). The reliability which are ranging from 0.5 to 0.60 are sufficient for the exploration of studies (Nunnally, 1967 cited in Dimovski, 1994) while in the range of 0.70 are acceptable and over 0.80 would be good (Sekaran, 2003). The values of Cronbach’s alpha which nearer to 1 will ensure the higher internal consistency of the reliability.

Table 4.7 below shows the reliability test value for all variables tested. From the result, it revealed that internal reliability of each variable has ranged from 0.712 to 0.820. Training and development had the highest coefficient values (0.820) while performance appraisal variable had lowest coefficient (0.712). According to Malhotra (2002), the alpha coefficient 0.6 portrays weak reliability of the variables. If the alpha coefficient

ranges from 0.6 to 0.8, they are considered to be moderate strong. If the alpha coefficient ranges from 0.8 to 1.0, they are considered to be very strong. The range from Cronbach's Alpha in this study is majority around 0.712 to 0.741 which is moderately strong. Only One variable has shown very strong result (0.820) which is organizational commitment as the dependent variable.

**Table 4.7**  
*Cronbach's Alpha Values for all variables tested*

Variable	Number of item tested	Cronbach's Alpha Value
Dependent Variable: Organizational Commitment	15	0.741
Independent Variable: Compensation and Benefit	5	0.717
Performance Appraisal	5	0.712
Training and Development	5	0.820

#### 4.4 Mean and Standard Deviation

Mean is synonymous function as one of the statistical method used to measure of the central tendency. While the standard deviation explains briefly about the validity of the sample distribution values from the mean and it is most valuable index of dispersion (Hair et al., 2007). In this research, the dependent variable (organizational commitment) and independent variables (compensation and benefit, performance appraisal and training and development) are measured by the mean and standard deviation. The respondents

have been asked to rate the answer for each of the variables in the survey question by using Likert Scale method which range from strongly disagree (1) until strongly agree (5).

Referring to Table 4.8, all of the variables means are at the range between 3.1797 to 3.8857. The variable of training and development has the highest mean of 3.8857 whereas performance appraisal has the lowest mean of 3.8240 which is under independent variable. However, organizational commitment show the lowest mean among the variable tested with 3.1797. While the highest mean are Human Resource Management Practices with 3.8522 in the scale between one to five. Thus, this mean majority of respondents agreed that the relationship between human resource management practices and organizational commitment are at the moderate level.

**Table 4.8**  
*Mean and Standard Deviation for the Variables*

<b>Variables</b>	<b>Mean</b>	<b>Std. Deviation</b>
Total of DV (Organizational Commitment)	3.1797	.37251
Total of IV (Human Resource Management Practices)	3.8522	.59616
Compensation and Benefit	3.8470	.63756
Performance Appraisal	3.8240	.63957
Training and Development	3.8857	.68842



## **4.5 Correlation Analysis**

The results of the Pearson Correlation analysis are outlined in the following section.

### **4.5.1 Pearson Correlation Coefficient**

Correlation test is being conducted to determine the factor which influences organizational commitment as the dependent variable and independent variables which are compensation and benefit, performance appraisal and also training and development. Correlation test will measure the linear correlation between two variables as to measure the strength of the linear dependence between two variables. Co-variance of the two variables will be divided by the products of their standard deviations.

Based on Table 4.9, it has shown that the correlation matrix for four variable which were compensation and benefit, performance appraisal, training and development, and organizational commitment. According to the result, all construct did not exceed the value of 0.95. Hence, all of the variables show positive relationship with their coefficient value. In this study, performance appraisal factor has shown lowest correlation with  $r = 0.443$ , significant at 0.01 level. While the highest is compensation and benefit factor with  $r = 0.484$ , significant at 0.01 level. Thus, this result provide data to answer objective “to determine the relationship between human resources management practices and organizational commitment” of the study.

The result of correlation analysis is explained in the table below:

**Table 4.9**

*Correlations coefficient values of Organizational Commitment and Human Resource Management Practices*

Variable	Compensation and Benefit	Performance Appraisal	Training and Development	Organizational Commitment
	1			
Compensation and Benefit				
	.693**	1		
Performance Appraisal				
	.945**	.584**	1	
Training and Development				
	.484**	.443**	.448**	1
Organizational Commitment				

\*\* Correlation is significant at the 0.01 level (2-tailed).

#### 4.5.2 Regression Analysis

Regression analysis is shown to study the relationship between independent and dependent variables. Regression analysis is usually used for predicting and forecasting which is to make an understanding among the independent variables relate to dependent variables. In the other way, it is to explore the forms of this relationship.

H<sub>1</sub>: There is significant relationship between human resources management practices and organizational commitment.

**Table 4.10**  
*Regression Analysis*

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.507 <sup>a</sup>	.257	.246	4.85099

a. Predictors: (Constant), Total IV, Total PA, Total CB

b. Dependent Variable: Total OCR

Based on the output of Table 4.10, the value of adjusted R Square is 0.246. Hence, human resource management practice factor was effect about 25% toward organizational commitment in this maritime manufacturing industry.

#### 4.6 Summary

This chapter explain the result from data analysis. Descriptive analysis is explaining about the demographic factor and respond rate of the data collection. It is then proceeding to the values of Cronbach's Alpha which is to ensure the variable tested is valid and reliable. Lastly the regression and correlation analysis present at the end of this chapter.



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## **CHAPTER5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a summary of what has been found in relation to the analysis and interpretation of findings based on the conclusions.

#### **5.2 Overview of the research**

The objective of this study was to determine the relationship between human resource management practices towards organizational commitment among employee in Boustead Naval Shipyard. From the finding result, it shows that this research already successfully reach their objective which is there are positive relationship between human resource management practices towards organizational commitment among employees in Boustead Naval Shipyard.

#### **5.3 Discuss on research objective**

In this study there are 3 objectives which had been developed. There are:

### ***5.3.1 Research Objective 1: To access the level of Human Resource Management Practices.***

From the descriptive analysis result, we found that the mean score of human resource management practices is 3.8522 in the scale of one to five (as explain in Table 4.8 in chapter 4). That is meaning the perception on human resource management practices among the respondent are quite high. Based on the result they indicate the respondent understand the concept of HRM which applied by the company.

### ***5.3.2 Research Objective 2: To access the level of Organizational Commitment.***

The result shows the mean value for OC among the respondent is 3.1797 in the scale of one to five. These mean values are quite high which means the respondent willing to give out their cooperation, their involvement towards organizational goals. Furthermore, this group of respondent also still loyal on their organization. Based on the statistic results, the maximum percentage of respondent who are working there more than 10 years is more than 35%.

### ***5.3.3 Research Objective 3: To determine the relationship between Human Resources Management Practices and Organizational Commitment.***

To answer this research objective, correlation and regression analysis was conducted to get the related result. Similarly, hypothesis testing has been developing based to the

previous study. Correlation analysis revealed that there is strong correlation between human resource management practice and organizational commitment and regression analysis indicate that 25% of organizational commitment explained but human resource management practice.

Based on the descriptive study, the percentage of the respondent whom had been achieving the post graduate qualification is 12.4%. Although they have qualification to move to academic institution but they still working in this organization. In other words, they have highly loyalty towards organization. Based on my interview, they have a close bonding with the organization.

Majority of them have a bonding with the agreement. A few of them prefer to work here because they already familiar with the working environment there. Descriptive statistic also shows there are 35% of employees who are working there more than ten years old. It means that the loyalty show by the respondent is higher. This study similarly with the previous study as Paul and Anantharaman (2004).

From my personal observation, there are a few respondents who are very comfort to perform the job in this organization. Although they received offer from other organization with good salary, however they preferred to work in this organization due to new working environment and different workload.

On the other hand, there are other factors that need to explain more detail. For employee who is still working in the organization, they are given an incentive as a motivation support. It will be based on the department performance.

#### **5.4 Limitation to this study**

In order to complete this study, there are few limitation encountered by the researcher. Firstly, the data obtained in this study might not be accurate. This is because the data collected are not involved for all departments in the organization. Besides that, the time constraint as most of the employee in the organization is busy for the new project and some management reports. Thirdly the data collected were using questionnaire method which the researcher was unable to get some information by interview the employees regarding their experience working in the organization.

From this study also researcher facing some limitation dimension as the variables using in this study are compensation and benefit, performance appraisal and also training and development. This entire variable is not strongly enough to have a relationship with organizational commitment. The finding shows that there is another 75% factor which can have a strong relationship with organizational commitment for this study. They might be job satisfaction, empowerment, leadership style, job insecurity, and selective hiring. Last but not least, this study was using cross-sectional study which is the data was collected from the population and sample at one period time. Therefore, researcher



unable to go depth and detail with the data collected and the data analysis.

## **5.5 Recommendation**

For future research, researcher suggested that there are some factors which can influences employee to have a high employee organizational commitment. There are job satisfaction, empowerment, leadership style, job insecurity, and selective hiring.

Besides that researcher also suggested that the study on the organizational commitment could be conducted in other industry such as banking services, and also education industry. From there it will show different situation with varieties of demographic pattern and different finding results.

Lastly, for future research, researcher advice to use the longitudinal study. This is because it is important to improve the quality of data research in data collection. The period might be extended and this can avoid for time constraint to get a clear result of data findings.

## **5.6 Implication of the Research Finding**

From the interview conducted, the result from this study found that there is small percentage of variable which supported to the organizational commitment. From the finding researcher found that the global economic situation had affected the same impact

to the local business activities. Business environment surrounding the same zone are at the moderate level. Literally the downturn caused certain degree of consciousness to most of the employee who are remaining working in that company. The existing company's human resource management terms and policy had developed concern to the employees that migrating to another company is not a good choice and not guaranteed for new choice or working opportunities outside. This economic resultant effect was glaringly noticeable as the other surroundings competitors of the same maritime industry business area retrenching/downsizing their work force and some already closed down their business operation. Affected companies like Sapura Kencana, HL Fabrication Yard and Grade One Shipyard due to critical in operation spending and low turn around business return.

In term of compensation and benefit offered to their staff, there was no increment or promotion as they already exercise downsizing their number of Project Management Team related to forthcoming business. As there are higher turnover of employees, the scope of workload become heavier and there is no other incentive paid to employees. It is only based on the basic salary and other remuneration as last offered to them.

For the performance appraisal, employee rating is at the moderate level as there is no other motivation factor which can attract them to deliver for higher hard work and full commitment to the organization. Nevertheless, during the crucial time employee are unable to envisage for better performance results as their colleagues and superior already

leave the company. Some of them getting their performance rated based on their daily attendance only.

For the training and development, there was no external training arranged since the company has decided for cost cutting exercise and low priority to engaged for uncertain new investment. However, certain training for soft skill related to processes are made avail by human resource department through dedicated departmental own internal senior staff to facilitates for the on-going project functions. The enrolled initiatives are just suffice as the remaining employees are experienced personnel, hands-on and technical know-how, committed, hence to accomplished the engaged projects.

## **5.7 Conclusion**

This study attempts to determine the relationship of human resource management practices towards employee organizational commitment in Boustead Naval Shipyard. The objectives of this study were: i) to access the level of human resource management practices, ii) to access the level of organizational commitment, iii) to determine the relationship between human resources management practices towards organizational commitment.

This study was conducted by using quantitative method or distributing the questionnaire survey in order to collecting the data. There are about 217 respondent involved in this study. The result of this study found that there are about only 25% of respondent agreed

there is a relationship of human resource management practices are applicable towards employee organization commitment in that company. Therefore, Human Resource Department itself have to put an effort and get some initiatives to understand employee needs in the organization.

As a conclusion, this study had meets their research objectives namely to access the level of human resource management practices, to access the level of organizational commitment, and to determine the relationship between human resources management practices towards organizational commitment.



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**Othman Yeop Abdullah  
Graduate School of Business**

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**Universiti Utara Malaysia**

## **QUESTIONNAIRE SURVEY**

Dear Respondent,

I am currently pursuing my studies in Master of Human Resource Management program at School of Business Management, College of Business, Universiti Utara Malaysia (UUM). As a partial fulfilment towards completing this program I need to conduct and complete a research related to **“Relationship of Human Resource Management Practice (HRMP) towards Organizational Commitment- Case of Boustead Naval Shipyard Sdn Bhd”**.

This questionnaire is designed to obtain information regarding human resource management practices in the organization as well as training and development, performance appraisal, inclusive the compensation and benefit. It contains three sections which is Section A, Section B and Section C.

Your contribution and willingness to spend approximately 10 minutes of your time to complete this survey is highly appreciated. All information given by the respondent will remain **CONFIDENTIAL** and will be used for **ACADEMIC PURPOSE ONLY**.

Thank you for your participation and cooperation in completing this survey.

Your sincerely,

Nurayuni Binti Abdul Aziz  
Candidate for Master of Human resource Management  
Universiti Utara Malaysia  
06010 Sintok, Kedah

**Section A : Background of Respondent**

**Bahagian A : Latar belakang Responden**

Please tick(✓) in the box which applies to you.

Sila tandakan (✓) pada kotak yang berkenaan berkaitan anda.

**Gender (Jantina):**

☐ **Male (Lelaki)**

☐ **Female (Perempuan)**

**Age (Umur):**

☐ **Below 20 years old ( $\leq 20$  tahun)**

☐ **21 to 30 years old (21 hingga 30 tahun)**

☐ **31 to 40 years old (31 hingga 40 tahun)**

☐ **41 to 50 years old (41 hingga 50 tahun)**

☐ **51 to 60 years old (51 hingga 60 tahun)**

**Length of service (Tempoh berkhidmat):** ☐ **Less than 1 year ( $\leq 1$  tahun)**

☐ **2 to 5 years (2 ke 5 tahun)**

☐ **6 to 10 years (6 ke 10 tahun)**

☐ **11 to 15 years (11 ke 15 tahun)**

☐ **16 to 20 years (16 ke 20 tahun)**

☐ **21 years and above ( $\geq 21$  tahun dan ke atas)**

**Education level (Tahap Pendidikan):**

☐ **Doctorate of Philosophy (PHD)(Ijazah Doktor Falsafah)**

☐ **Masters (Ijazah Sarjana)**

☐ **Bachelor of Degree (Ijazah Sarjana Muda)**

☐ **Diploma (Diploma)**

☐ **Malaysian Skill Certification (Sijil Kemahiran Malaysia)**

☐ **Sijil Tinggi Persekolahan Malaysia (STPM)**

☐ **Sijil Pelajaran Malaysia (SPM)**

**Position in Organization:**

(Jawatan di dalam organisasi)

☐ **Senior Manager and above (Pengurus Atasan ↑)**

☐ **Manager (Pengurus)**

☐ **Senior Executive (Eksekutif Kanan)**

☐ **Junior Executive (Eksekutif Muda)**

☐ **Fresh Entry Level (Pengambilan baru)**

☐ **Non-Executive (Bukan Eksekutif)**

Section B : Human Resource Management Practices

Bahagian B : Amalan Pengurusan Sumber Manusia

Respond to each of the statement below by circle the extend to which you agree or disagree with them. Please use the following rating for your response.

Berikan maklum balas dengan menandakan bulat berdasarkan pernyataan di bawah sama ada anda bersetuju atau tidak bersetuju. Sila gunakan skala yang berikut bagi setiap respon anda.

Scale (Skala)				
Strongly disagreed (Sangat tidak bersetuju)	Disagreed (Tidak bersetuju)	Neutral (Tidak pasti)	Agreed (Bersetuju)	Strongly Agreed (Sangat Bersetuju)
1	2	3	4	5

1	Extensive training and development programs are offered by the company to improve my job skills. <i>Pelbagai program latihan dan pembangunan yang ditawarkan oleh syarikat untuk meningkatkan kemahiran kerja saya.</i>	1	2	3	4	5
2	My work performance is determined based on the set Annual Performance Target. <i>Prestasi kerja saya ditentukan atas Sasaran Kerja Tahunan yang dirancang.</i>	1	2	3	4	5
3	The salary increment that I obtain depends on my Annual Performance Appraisal. <i>Jumlah kenaikan gaji yang saya perolehi bergantung kepada Penilaian Prestasi Tahunan.</i>	1	2	3	4	5
4	Opportunities for advancement are available to all staffs. <i>Peluang-peluang untuk peningkatan sentiasa terbuka untuk semua kakitangan.</i>	1	2	3	4	5
5	Besides the achievement of Annual Performance Target, my performance is also being evaluated based on my commitment and involvement to the company. <i>Selain dari pencapaian Sasaran Kerja Tahunan, prestasi lain seperti komitmen dan penglibatan dalam aktiviti lain dalam syarikat akan turut diambilkira.</i>	1	2	3	4	5

6	Rewards (bonuses, awards and benefits) that I receive depend on my Annual Performance Appraisal. <i>Ganjaran (bonus, amugerah dan faedah) yang diterima bergantung kepada Penilaian Prestasi Tahunan saya.</i>	1	2	3	4	5
7	Training programs offered by the company help me to develop varieties of skills and ability. <i>Program latihan yang ditawarkan oleh syarikat dapat membantu saya untuk mempelbagaikan kemahiran dan keupayaan.</i>	1	2	3	4	5
8	The degree of my performance evaluation is based on my Annual Performance Appraisal Report. <i>Tahap penilaian prestasi saya adalah berasaskan kepada Laporan Prestasi Penilaian Tahunan.</i>	1	2	3	4	5
9	I am satisfied with the process used to determine my non-financial rewards (awards and benefits). <i>Saya amat berpuas hati dengan kaedah yang digunakan untuk menentukan ganjaran bukan kewangan (amugerah dan faedah).</i>	1	2	3	4	5
10	Career counselling and planning assistance are provided to all staffs. <i>Kaunseling untuk kerjaya dan bantuan perancangan disediakan untuk semua kakitangan.</i>	1	2	3	4	5
11	My Annual Performance Appraisal is based on the agreement between me and my superior. <i>Penilaian Prestasi Tahunan saya berdasarkan persetujuan antara saya dengan pegawai atasan saya.</i>	1	2	3	4	5
12	The amount of income that I receive reflects on what I deserve. <i>Jumlah pendapatan yang saya perolehi adalah setimpal dengan apa yang layak saya perolehi.</i>	1	2	3	4	5
13	The training provided by the company helps me to enhance my work performance. <i>Latihan yang disediakan oleh pihak syarikat telah dapat membantu saya untuk meningkatkan prestasi kerja.</i>	1	2	3	4	5
14	My performance is evaluated based on my work output. <i>Prestasi saya dinilai berdasarkan hasil kerja saya.</i>	1	2	3	4	5
15	I am satisfied with compensation offered by this company. <i>Saya berpuas hati dengan pampasan yang ditawarkan di syarikat ini.</i>	1	2	3	4	5

Section C : Organization Commitment

Bahagian C : Komitmen Organisasi

Respond to each of the statement below by circle the extend to which you agree or disagree with them. Please use the following rating for your response.

Berikan maklum balas dengan menandakan bulat berdasarkan pernyataan di bawah sama ada anda bersetuju atau tidak bersetuju. Sila gunakan skala yang berikut bagi setiap respon anda.

Scale (Skala)				
Strongly disagreed (Sangat tidak bersetuju)	Disagreed (Tidak bersetuju)	Neutral (Tidak pasti)	Agreed (Bersetuju)	Strongly Agreed (Sangat Bersetuju)
1	2	3	4	5

1	I am willing to put in a great deal of effort beyond that normally expected in order to help this company be successful. <i>Saya bersedia untuk menyumbangkan sepenuh usaha bagi mencapai kejayaan syarikat.</i>	1	2	3	4	5
2	I talk up this company to my friends as a great organization to work for. <i>Saya memberitahu rakan-rakan yang lain bahawa ini adalah syarikat yang terbaik untuk bekerja</i>	1	2	3	4	5
3	I feel very little loyalty to this company. <i>Saya merasakan tahap kesetiaan yang amat rendah terhadap syarikat ini.</i>	1	2	3	4	5
4	I would accept almost any type of job assignment in order to keep working for this company. <i>Saya sedia menerima apa sahaja jenis tugas untuk membolehkan saya terus bekerja dengan syarikat ini.</i>	1	2	3	4	5
5	I find that my values and the company's values are very similar. <i>Saya dapati bahawa nilai-nilai yang saya pegang adalah sama dengan nilai-nilai syarikat.</i>	1	2	3	4	5
6	I am proud to tell others that I am part of this company. <i>Saya bangga untuk memberitahu orang lain bahawa saya adalah sebahagian daripada syarikat.</i>	1	2	3	4	5



7	I could just as well be working for a different organization as long as the type of work was similar. <i>Saya yakin boleh bekerja dengan baik di organisasi yang lain selagimana untuk jenis kerja adalah sama.</i>	1	2	3	4	5
8	This company really inspires the very best in me in the way of job performance. <i>Syarikat ini benar-benar memberikan inspirasi kepada saya untuk menghasilkan kerja yang terbaik.</i>	1	2	3	4	5
9	It would take very little change in my present circumstances to cause me to leave this company. <i>Saya akan meninggalkan syarikat ini sekiranya berlaku biarpun sedikit perubahan terhadap keadaan kerja saya.</i>	1	2	3	4	5
10	I am extremely glad that I chose this company to work for over others I was considering at the time I joined. <i>Saya amat bangga memilih syarikat ini untuk bekerja berbanding dengan yang lain.</i>	1	2	3	4	5
11	There's not too much to be gained by sticking with this company indefinitely. <i>Tidak ada banyak faedahnya untuk terus bekerja dengan syarikat ini sekiranya tiada halatuju sebenar</i>	1	2	3	4	5
12	Often, I find it difficult to agree with this company's policies on important matters relating to its employees. <i>Kerap mengalami situasi sukar untuk mendapatkan persetujuan berkaitan dasar syarikat mengenai isu-isu penting berkaitan pekerja.</i>	1	2	3	4	5
13	I really care about the fate of this company. <i>Saya benar-benar mengambil berat tentang nasib syarikat ini.</i>	1	2	3	4	5
14	For me this is the best of all possible organizations for which to work. <i>Bagi saya, ini adalah syarikat yang terbaik dikalangan yang terpilih.</i>	1	2	3	4	5
15	Deciding to work for this company was a definite mistake on my part. <i>Keputusan untuk bekerja dalam syarikat ini merupakan satu kesilapan saya sendiri.</i>	1	2	3	4	5

\*\*\*End of Questionnaire\*\*\*

Thank you for your cooperation